



Lawrence J. Morrissey  
Mayor

**State of Illinois  
Senate Appropriations Committee Hearing  
Room C600 Michael Bilandic Building  
160 North LaSalle Street  
Chicago, Illinois  
March 9, 2015 2:00 PM**

**Public Testimony Regarding Proposed LGDF Reduction and Property Tax Freeze**

**Written Testimony Provided by Lawrence J. Morrissey, Mayor, City of Rockford, Illinois**

Madam Chairman and Members of the Committee:

Thank you for this opportunity to present testimony regarding the proposed reduction of the Local Government Distributive Fund and Property Tax Freeze.

Illinois municipalities are in crisis. For cities like Rockford, we are at the point where we simply cannot absorb the additional financial impact of the proposed 50% cut to the Local Distributive Fund (LGDF) without suffering catastrophic damage to our public safety operations. In our case, due to years of financial challenges, the proposed cuts to LGDF would cause devastating cuts to our local police and public works operations.

**I. Background**

As the third-largest city in the State, for many years now, the City of Rockford has worked hard to manage responsibly the increasing costs imposed by years of pension sweeteners given to downstate police and fire pension systems along with relentless collective bargaining labor cost increases to those same groups. As a result, we have consistently had one of the State's highest property tax rates simply to keep pace with actuarial required pension payments and labor arbitration awards for police and fire.

Like many other cities in the State, moreover, our real estate values have not recovered since the crash of 2008. In fact, our City's property tax base currently is below 2005 levels, which has caused our overall property tax rate to spiral to record levels despite the fact that we have kept our total property tax levy unchanged for two straight years.

For Rockford, the proposed reduction to the LGDF would cut an immediate \$7.5 million dollars out of our budget, which represents approximately 7.7% of our city's general fund eligible for deficit allocation. The impact will be even more concentrated, however, because of the minimum manning provision within our fire contract. Just last year, furthermore, the legislature made it much more difficult to manage the impact of revenue reductions by imposing staffing as a mandatory topic of bargaining for municipal fire fighters throughout the State.



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## **II. Fire Minimum Manning Impact**

Rockford has had a staffing clause imposing minimum manning since 1999, when a labor arbitrator awarded the local fire union a minimum staffing clause based on what had previously been a discretionary management right. The impact of that ruling meant that the city is forced to maintain a contractually predetermined manning level on each apparatus for both firefighting and ambulance services. Even more incredibly, the city lacks management authority to assign personnel to a given operation as management sees fit. Instead, the contract regulates each assignment per apparatus.

Following the onset of the recession in 2009, the existence of the fire manning provision meant that other departments like police and public works services had to be cut at disproportionately higher levels since layoffs could not be made to fire manning without having to bring back personnel on overtime simply to meet the daily staffing requirements. The city has sought relief from the fire minimum manning clause, but the local fire fighters were unwilling to adjust voluntarily the staffing minimums.

Finally, after many years of arbitration and litigation expense, the City of Rockford was able to reduce its daily staffing from 62 to 59, which happened in 2013. While this has resulted in savings of over \$1 million annually, the contract ended in 2014. Now, in the midst of our current intense financial pressure, our local fire union is demanding in collective bargaining that manning be increased beyond the current 59 and beyond the old 62. They now want 66 fire fighters per shift, which would add approximately \$2 million in costs.

If the cuts are made to LGDF as proposed, the burden would once again shift disproportionately to our police, public works and support departments. Thus, a \$3.1 million reduction to our police department becomes a \$4.8 million reduction. To balance our budget, we would be forced to cut approximately 40 police officers or more in a city with one of the highest violent crime rates in the State of Illinois and United States. The cuts would be even more devastating if the fire union is successful at increasing our local manning level beyond its current size of 59.

## **III. A Cut to LGDF Amounts to an Attempted Tax Shift to Local Property Taxpayers**

If the cuts to LGDF are made as proposed, dramatically changing a decades old income tax sharing partnership with the State, the net result would be an added burden on local governments pressuring them to pass the costs on to local property tax payers. This is not tenable. A tax shift is not tax savings.

Our local citizens will not accept what would appear to be a blatant shell game of promising savings at the State level only to shift the same burden disproportionately onto the local property tax. This would be happening, by the way, at the same time many have suggested additional caps on a local government's ability to raise a tax levy. For Rockford, since we are not a home rule community, the point is moot since we are already virtually capped by existing property tax cap rules.

For our community, local property tax assessments have gone down over 30% in the last 5 years. This has caused Rockford's tax rate to exceed 14% of assessed value. This is an unacceptable reality. Some sanity must be restored to the local property tax and assessment system. Increasing property taxes is not a viable source of additional funding, moreover, as our local rate is at the statutory maximum.



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#### **IV. Proposed LGDF Cuts Create an Unsustainable Burden/Chapter 9 Implications**

Simply put, if the LGDF is reduced at anywhere near the proposed amount, it would force devastating cuts to our police officers and public works staffs, which I simply could not in good conscience recommend. The alternative would be a Chapter 9 reorganization, which is not currently authorized. This is also why I expect to be testifying later this month in support of HB298, sponsored by Rep. Ron Sandack, which would grant municipalities the right to file a Chapter 9 reorganization. In that setting, a bankruptcy court could set aside the unmanageable and unsustainable labor contracts and pension agreements with which local taxpayers have been saddled across the State.